

**CHAPTER NO. 871**

**SENATE BILL NO. 3143**

**By Herron, Cooper**

**Substituted for: House Bill No. 3178**

**By Fitzhugh**

AN ACT To amend Tennessee Code Annotated, Title 45 and Title 47, relative to certain lending practices.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. (a) There is hereby created a special joint committee to perform a comprehensive analysis of predatory lending in Tennessee.

(b) The special joint committee shall study the current legislative and regulatory provisions and protections which are applicable to home loans and to those who offer home loans.

(c) The committee should consider:

(1) Whether the subprime lending market which provides loans to many borrowers who have impaired credit performs a significant service to citizens of Tennessee, particularly those in distressed urban areas and whether prospective legislation is warranted;

(2) Whether legislation and regulation affecting the subprime market should restrict those relatively few lenders who are engaged in patterns and practices of unfair treatment to vulnerable consumers commonly referred to as predatory lending;

(3) Whether the subprime markets should be subject to additional restrictions, prohibitions, remedies, and penalties.

(d) The committee should consider that:

(1) The subprime lending market provides loans to many borrowers who have impaired credit, and whether this lending market performs a significant service to citizens of Tennessee, particularly those in distressed urban areas, to warrant prospective legislation;

(2) Legislation and regulation affecting the subprime market should not be overly broad and should restrict those relatively few lenders who are engaged in patterns and practices of unfair treatment to vulnerable consumers commonly referred to as predatory lending;

(3) The legitimate conventional and subprime markets should demonstrate why such markets should not be subject to the same restrictions, prohibitions, remedies, and penalties as the high-cost loans which are distinguishable from loans in other markets.

(e) The special joint committee shall also study the need for better protections to prevent abusive or predatory practices such as excessive interest

rates unrelated to risk or excessive fees unrelated to services rendered; making home loans without due regard to the borrower's ability to repay; "flipping" or refinancing a home loan without significant tangible benefit to the borrower but including excessive fees; mandatory single-premium credit life insurance; "balloon" payments designed to force unfavorable refinancing or default; abuse of home improvement loans; and other practices.

(f) The special joint committee shall consist of three (3) members of the House of Representatives and three (3) members of the Senate, to be appointed by the respective speakers. The speakers shall seek to appoint members who have demonstrated interest in the issue and who will serve actively.

(g) All appropriate state departments and agencies shall provide assistance to the special joint committee upon request of the chair.

(h) The Tennessee Bankers Association, the Tennessee Mortgage Bankers Association, the Tennessee Mortgage Brokers Association, the Tennessee Consumer Finance Association, and other interested and affected professional groups and associations shall be asked to provide information, analyses, and recommendations to the special joint committee.

(i) Groups advancing for greater protection of consumers shall be asked to provide information, analyses, and recommendations to the special joint committee.

(j) The special joint committee shall hold hearings, if practical, in the three Grand Divisions of the state to seek testimony from persons who have been harmed by predatory lending practices or who have direct knowledge about such practices and from those who have helped others or been helped by subprime loans.

(k) All legislative members of the special joint committee who are duly elected members of the General Assembly shall remain members of such committee until the committee reports its findings and recommendations to the General Assembly.


(l) The special joint committee shall be convened by the member of the committee with the most years of continuous service in the General Assembly; and at its first meeting of the year shall elect a chair, vice-chair, and such other officers the committee deems necessary.

(m) The committee shall timely report its findings and recommendations, including any proposed legislation or interim reports, to the One Hundred Third General Assembly no later than February 28, 2003, at which time the committee shall cease to exist.

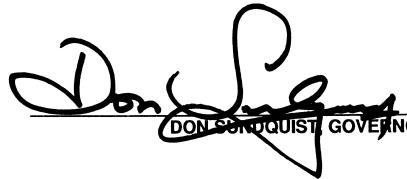
SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.

PASSED: July 4, 2002

  
JOHN S. WILDER  
SPEAKER OF THE SENATE

  
JIMMY NAIFEH, SPEAKER  
HOUSE OF REPRESENTATIVES

APPROVED this 17<sup>th</sup> day of July 2002

  
DON SUNDQUIST, GOVERNOR